

MINUTES OF THE REGULAR MEETING
OF THE HOUSING AND COMMUNITY DEVELOPMENT
CORPORATION OF HAWAII
HELD AT THE NATURAL ENERGY LABORATORY OF HAWAII
73-4460 QUEEN KAAHUMANU HIGHWAY, ROOM 101, KAILUA-KONA
ON THURSDAY, OCTOBER 20, 2005,
IN THE COUNTY OF HAWAII, STATE OF HAWAII

The Board of Directors of the Housing and Community Development Corporation of Hawaii met for a regular meeting at the Natural Energy Laboratory of Hawaii, 73-4460 Queen Kaahumanu Highway, Room 101, Kailua-Kona, on Thursday, October 20, 2005 at 9:00 a.m.

The meeting was called to order by Chairman Charles Sted and, on roll call, those present and absent were as follows:

CALL TO
ORDER/
ROLL CALL

PRESENT: Director Francis L. Jung
Director Charles King
Designee Rick Manayan
Director Charles Sted
Director Linda Smith
Director Travis O. Thompson

Executive Director Stephanie Aveiro

EXCUSED: Director Lillian Koller

Staff Present: Sandra Ching, Deputy Attorney General
Pamela Dodson, Executive Assistant
Janice Takahashi, Chief Planner
Darren Ueki, Finance Manager
Michael Hee, Contracts Section Administrator
Stan Fujimoto, Project Manager
Chris Sadayasu, Project Coordinator
Shirley Higa, Board Secretary

Others: Marvin Awaya, Pacific Housing Assistance Corporation
Donald L. Tarleton, HCRC
Stacy Sur, HIAHI
Ada Nagao, Seawind Realty, Inc.
Michael J. Timko, Resident, Hilo Hale Ohana
Charles Conant, Advocate

The Chairman declared a quorum present

QUORUM

Director King moved, seconded by Designee Manayan

That the minutes of the Regular Meeting held on
September 22, 2005 be approved as circulated.

The motion was unanimously carried.

APPROVAL
OF
MINUTES -
REGULAR
MEETING -
9/22/2005

Executive Director Stephanie Aveiro reported that staff has made major revisions in its procedures to address the vacant units. The staff of Construction Management Section and Central Maintenance have had their assignments changed to focus on the vacant units.

OFFICE
OF
EXECUTIVE
DIRECTOR
REPORT

Ms. Aveiro also noted a minor correction to page 2 of her report under Staff Relations which should have DBEDT Deputy Director Mark Anderson also in attendance in the meeting with DBEDT on October 4, 2005 regarding the agency split. She continued with her report by highlighting the following events:

- Met with Governor's Policy Office regarding the proposed legislative bills; will also meet with Governor Lingle in November to review the bills;
- On October 12, attended the informational briefing of the joint legislative Affordable Housing and Homeless Task Force adding that the Task Force will continue its tour of the various housing projects on the islands of Hawaii, Kauai, Maui and Molokai. In addition to members of the Task Force which include the Housing Committee, Chairs of both houses, members of the private sector and media have also been invited to accompany the Task Force.

Ms. Aveiro commented that the project managers have been advised to be available when the Task Force is on the project site.

Director King asked if the residents have been informed as well to which Chief Planner Janice Takahashi stated that the residents may voice their concerns at evening hearings that will be scheduled by the Task Force.

Ms. Aveiro also informed the Board on the letters that were sent to several staff members in appreciation to their efforts in making a Procurement Manual a reality.

Chairman Sted then commented on the initial letter received from Sen. Donna Mercado Kim which was responded to which then generated another letter from Sen. Kim similar in nature to her first letter. It was decided to meet with Sen. Kim to address the issues rather than exchanging written correspondence. Ms. Aveiro commented that the meeting has been scheduled for November 4, 2005.

Director King asked for Ms. Aveiro's comments on the letter received on September 19, 2005 from the residents of Kuhio Park Terrace (KPT). Ms. Aveiro stated that on October 6, 2005 she met with representatives of the Island Tenants on the Rise (ITOR) and some residents of KPT regarding the concerns that were mentioned in the letter. We will respond to the letter that will state that the issues are considered serious and will be addressed in meetings with the managerial staff and the residents. Ms. Aveiro further stated that the letter appears to have been initiated by residents who have been evicted who believe that KPT has been targeted in the eviction process. It is staff's goal to address these concerns by explaining the process as it relates to all the housing projects.

Director Thompson commented that the Board has toured KPT and believed that the issues that were written in the letter are similar to what was evidenced during their site visit. Much of the concerns are repair work that needs to be done.

Ms. Aveiro agreed noting that in the meeting it will be pointed out as an example, that management is attempting to maintain the cleanliness of the stairwells, however residents continue with its actions resulting in unsanitary conditions. Residents must be reminded that they must be responsible for their actions.

She acknowledged that some of the issues cited in the letter such as the trash chutes, elevators and fire alarm systems have been long-standing issues, however staff is continuing to address these issues. Staff will keep the residents better informed of what they are doing to address these concerns.

Director Smith asked if there is a recognized resident association with a Sergeant-at-Arms person who can monitor and police the issues. Ms. Aveiro stated that there has been a recent change in officers. A meeting with the new President of the association, HUD and staff is being scheduled.

Director Thompson asked if there is a way to encourage the residents to take control of their destiny in a positive way.

Ms. Aveiro stated that staff has been actively learning and understanding the different cultures that reside in the project. As an example, staff recently had a workshop about the Micronesian culture. There are many practices that are acceptable by the Micronesian traditions that may not be considered acceptable to the rules and regulations of HCDCH. This is what staff will need to address when it works with the Micronesian community on subjects such as housekeeping and extended family stays.

Continuing with her report, Ms. Aveiro referred to Attachments H, I and J which gave an overall vacant unit by project, unit turnaround time for Fiscal Years 05 and 06. The unit turnaround time is comprised of three components which can be used as indicators as to what area needs improvement. These components are the average number of calendar days the unit is in downtime meaning from the time it is vacant until a work order is initiated; the average number of days that a unit is being readied for occupancy; and the average number of days it takes to lease the unit. These components will be essential to have as the agency moves toward project-based accounting. Overall the average number of units that the agency can turn around in a month is 40. There is approximately 300 units that need to be repaired. Staff has used the assistance from DAGS and in the future, may have those who are incarcerated do some of the repairs.

Director Smith referred to the past practice of using DAGS on the weekend to repair approximately 134 units to be available for occupancy. She asked if there would be an opportunity to revisit this arrangement with DAGS in the near future.

Ms. Aveiro stated that HUD had previously approved the use of Federal funds for the overtime work performed by DAGS to assist in turning the vacant units around and increasing the REAC scores. Although HUD is concerned with the usage of overtime when the agency is supposed to be able to perform the work itself, staff can see if HUD would be amenable to approving the request again.

Director Smith commented that the expertise provided by DAGS in a short timeframe is very effective and should HUD not approve the request, the agency may be able to use funds from a different source.

In response to Director Smith's query regarding the use of the prison work force, Ms. Aveiro stated that their availability for landscaping and painting work is abundant on the islands of Maui and Oahu. Oahu also has a source of inmates who are highly skilled and are ready to return into the community. The per hour per person cost is very minimal.

Director Thompson asked if the agency is constrained by budget. Ms. Aveiro stated that in previous years, all CAP funds were being directed towards two individual projects - Lanakila Homes and Kalihi Valley Homes. Staff intends to redirect these funds for major repair work until 2006 when it will be directed to Hale Kahaluu in Kona. Until then there are sufficient funds for the immediate work and those will be directed toward repairing the vacant units for possible occupancy.

Director Thompson commented that the project managers need to be aware that staff's priority is to rent the vacant units as quickly as possible and not be deterred from acting due to procurement problems.

Director Smith asked about the possibility of having a roundtable discussion with the resident managers which may include bonuses should they be able to rent the units as quickly as possible if they were given tools to use such as the ability to purchase services and goods immediately rather than going thru a lengthy approval process.

Ms. Aveiro stated that civil service employees may not be able to receive bonuses, and the private sector may need to focus on disincentives when the project has a high vacancy rate. She believes that staff is progressing as management and support staff understand the importance of a high occupancy rate and the fast turnaround time.

Director King asked about the inventory of land that is available for housing. Ms. Aveiro stated that there is a binder that was previously distributed to the Board that needs to be updated. Ms. Aveiro added that DLNR has been asked to provide an inventory of their lands that could be included in this report, for possible development for housing.

Director Thompson stated that he has not yet received a Finance report.

FINANCE
SUBCOM-
MITTEE

Director Thompson stated that the audit is progressing and should be completed by the end of October.

AUDIT
SUBCOM-
MITTEE

Director Smith reported that a draft report from the U.S. Navy was received and a conference call with Chairman Sted, Executive Director Stephanie Aveiro and herself was held to outline a scope of steps in terms of examining the report. A meeting will be held with the Navy to review specific questions about the report. Discussion will also include Federal guidelines that are already in place that would apply at the State level. The subcommittee could then in November, make recommendations to the full Board in terms of asset maximization. As referred by Director King, there is a need to delineate the vacant lands and identify those with infrastructure already in place. Then it can be determined whether it should be the Counties or the private sector to pursue the development of the land for affordable housing. This process is underway as there are lands that are owned by HCDCH and lands that are owned by other State agencies such as DLNR.

ASSET
MANAGE-
MENT
SUBCOM-
MITTEE

The Navy report is relative to existing structures and buildings which were built decades ago and HCDCH may now be able to maximize the value of the asset by either increasing the density or better usage of the parcel of land. Another option may be to leverage it to enable building on other vacant land that HCDCH owns.

Another issue that would need to be addressed are the public housing projects financed by either the State or Federal funds and how the units can be made available and rented on a more timely basis.

Director Jung stated that it was his understanding that last week, DLNR held its Board meeting and transfer of the 277 acres of non-ceded lands in Kealakehe to HCDCH was approved. Should this be correct, then the subcommittee would need to then have a meeting to discuss liaison with the County as the overall scheme was that although HCDCH has the land, it does not have much funding to proceed with its development. The County of Hawaii has offered to work with HCDCH once the land is transferred. Once this land transfer can be confirmed, then the subcommittee can meet with the County officials and County Council to develop a plan that can be presented to the HCDCH Board for approval.

NON-CEDED
LANDS
DEVELOP-
MENT
SUBCOM-
MITTEE

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors approve the following revised project terms:

- 1. Reduction of the unit count to 60 units;
- 2. Development of an adult health care center on a portion of the parcel;
- 3. Subdivision of the parcel into two separate lots; and
- 4. Reduction of the annual lease rent from \$19,500.00 to \$1.00.

Subject to compliance with applicable rules and regulations and any such other terms and conditions that may be required by the Executive Director.

Director King moved, seconded by Director Jung

That staff's recommendation be approved.

Project Coordinator Chris Sadayasu explained that Pacific Housing Assistance Corporation (PHAC) has requested to revise the project terms of the proposed development of a multi-family senior housing project in the Villages of Kapolei, Village 2. This request is a result of rising development costs and the inability to obtain additional funding to develop the originally proposed 80-unit project, although PHAC has been awarded \$10,745,400 in HUD Section 202 funds and \$750,000 by the City and County of Honolulu in HOME funds. There is a shortfall of \$1 million that is hoped to be met by a \$1 million Rental Housing Trust Fund (RHTF) loan that PHAC has applied for.

Director Thompson asked about the development of the adult health care center that is not in the scope of the agency of providing housing. Mr. Awaya stated that the creation of the adult health care center was a result of a project with the Hawaii Health System Corporation (HHSC) at Maluhia Hospital. This project is also a HUD 202 project that RHTF provided a portion of the financing. The Program for All Inclusive Care for the Elderly (PACE) would like to expand its services to the Iwilei site as well as in the Kapolei area. Mr. Awaya acknowledged that the resident population in Kapolei is that of a younger population; however, many have their parents live with them who would participate in the activities of PACE. Residents in the general leeward area would also benefit from services provided by PACE as it can service the very low-income residents. HHSC does not have funding for leases, but does have sufficient funds for maintenance, utility fees and other operating costs. PHAC would hold the master lease and sublease the parcel of land to HHSC.

Director Thompson asked if the land that is being proposed to be used by PACE is the land that PHAC would have used to build the additional 20 units that is being proposed to have deleted. Mr. Awaya stated that the original proposal was for 80 units that would require a large loan request from the RHTF. When the units were reduced, the project's design was changed from multi-story buildings with elevators to one-story buildings that would be more desirable for the elderly.

Director King commented that the project has been ongoing for almost six years and asked what could have been done differently that could have hastened its development.

APPROVE
THE
REVISED
SENIOR
HOUSING
PROJECT
TERMS
FOR THE
VILLAGES
OF KAPOLEI -
VILLAGE 2,
VACANT
MULTI-
FAMILY
SITE,
TAX
MAP
KEY
NO
(1) 9-1-16:93

Mr. Awaya stated that HUD will allocate a maximum of 20 units annually. After three consecutive years of requests, the maximum allocation of 60 units has been approved. After three years, HUD begins to make inquiries about the progress of the first 20-unit allocation. PHAC had wanted to request another 20 units for a total of 80 units, in order to use the RHTF funds. Another year passed as PHAC had to work with HUD regarding the repayment of the 2nd mortgage using excess revenue that could not be guaranteed. HUD will not allow a project to begin unless all of the financing is in place. Later another year passed when the project had to be redesigned to a smaller 60-unit project and a \$1 million RHTF loan. Obtaining funds from the City and County of Honolulu HOME funds of \$750,000 has also added to the lengthy planning process of the project.

Mr. Awaya further stated that the project design has been completed and the permits have been submitted to the City & County of Honolulu for approval. This process can also be lengthy causing another delay to the project as HUD will not close the loan without the permits in place. Bids will also be solicited from qualified contractors and it is anticipated that construction can begin in May 2006 with completion of the project about 12-14 months thereafter.

Designee Manayan asked what would the HHSC be charged for its lease rent. Mr. Awaya responded that it would be \$1 per year contingent upon HHSC providing all the services as agreed upon.

Designee Manayan further asked Mr. Sadayasu how the loss in revenue of approximately \$1.5 million impacts the agency. Mr. Sadayasu acknowledged that there would be a reduction in revenue to the DURF fund, however, it is in compliance to the current administration's policy to allow \$1 per year leases in order to promote development of affordable housing.

There being no further discussion, the motion was unanimously carried.

Director Smith referred back to Mr. Awaya's comments about the lengthy process to receive approval for the building permits for these projects. She suggested that the Board may want to go on record to each of the County's Planning and Permitting Offices, requesting that these non-profit, low-income affordable housing projects be given special priority to encourage and promote faster development of affordable housing. Director Smith asked Deputy Attorney General Sandra Ching if this discussion is allowable, to which Ms. Ching answered that it was.

Executive Director Stephanie Aveiro stated that staff appreciates the suggestion by Director Smith as staff has been sharing information with the private sector such as First Hawaiian Bank and other private agencies who may be able to assist in processing the work for the developers of the affordable housing projects as a statewide coordinated effort.

Mr. Awaya added that there is a high possibility of a developer losing the tax credit awards as they must expend 10% of the award in order to retain the credits. This can be very difficult should there be no acquisition cost thereby making it imperative that they begin building right away which may not be possible due to the permitting process. Counties process the permits at different paces that can cause much delay.

Director Jung agreed with Director Smith as to the importance of working with the counties in the permitting process as it can financially impact a large project enormously due to the lengthy delays. A focused, coordinated effort with the counties to develop affordable housing is imperative. Special priorities should be given to developers of affordable housing should be encouraged.

Director Thompson also commented that he agreed adding the HCDCH should be a lead agency in this respect and support the developers of affordable housing projects by assisting them in obtaining the permits in a timely manner.

Director King also commented that the agency needs to be the voice for those who are in need of low income housing as the for-profit organizations would likely to be more vocal than them.

The Chair, with members of the Board in agreement, instructed staff to draft a resolution expressing the Board's ideas and suggestions for adoption at the next meeting.

Staff's recommendation was presented as follows:

That the Board of Directors of the Housing and Community Development Corporation of Hawaii:

1. Approve a Project Award with terms as shown in III.C. of this For Action, and the issuance of the Letter of Intent subject to the following:
 - a. Authorization and approval by the Governor of the proposed project and the release of Program funds as mandated under Chapter 15-180, Hawaii Administrative Rules.
 - b. Execution of documentation satisfactory to the HCDCH outlining the terms and conditions of the Project Award. The documents will specify the standard terms and conditions as required in order to meet all statutory requirements of the Program and the specific terms and conditions that are applicable to the applicant's request for Project Award funds.
 - c. Completion of all documentation necessary and required to secure the release of Program funds.
 - d. Certification of the applicant to comply with all applicable statutory and Program requirements, including but not limited to, Chapters 343, 103-D, 103-50 and 104, Hawaii Revised Statutes, as they may relate to the use of State funds.
2. Authorize the Executive Director of the HCDCH to take all action necessary to effectuate the purposes of the For Action.

RENTAL
HOUSING
TRUST
FUND -
CONSIDER-
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OF
FY 05
PROJECT
AWARD
APPLICA-
TION
FOR
PACIFIC
HOUSING
OAHU
CORPORA-
TION
KAPOLEI
RESIDENCE -
SENIOR
RESIDENCE
AT KAPOLEI
PROJECT
LOCATED
IN
KAPOLEI,
OAHU

Director Thompson moved, seconded by Director King

That staff's recommendation be approved.

Finance Branch Manager Darren Ueki reported that the HCDCH Board of Directors approved the project as an eligible project to the Rental Housing Trust Fund (RHTF) FY05 Project Award Approved Project List. The developer, Pacific Housing Oahu Corporation Kapolei Residence has applied for a \$1 million loan for 52 years with payments after 2 years based on 90% of residual

receipts as approved by HUD. In years 44 to 52, the annual payments will be based on the Debt Coverage Ratio of 1:05 to 1 of Net Operating Income. At the end of the term any outstanding amounts of principal and accrued interest will be due and payable.

Director Thompson stated that he would support the developer's request of \$1 million and then asked Mr. Ueki what would be the remaining balance of the RHTF. Mr. Ueki answered that approximately \$15 million would still be available.

Director Thompson then asked if the expiration date of the Letter of Intent is a standard practice to which Mr. Ueki answered that after a project has been awarded the loan, nine months is used as a benchmark by staff to monitor a project's progress. Should staff determine that the developer is making reasonable progress, staff will ask the Executive Director to extend the Letter of Intent for three more months. However, should the developer fulfill all of the requirements of the awarding of the loan, then the Letter of Intent is no longer in effect.

Director Smith also voiced her support to staff's recommendation that sets a precedence as far as the length of the loan, and the interest terms which are waived during the first two years of the loan. Mr. Ueki commented that the loan of 52 years is a little longer than what previous Boards have approved and the terms of the interest rates has been done in the past. The difference in this loan as compared to those in the past is the repayment terms wherein HUD is in control of approving the annual payments based on 90% of the residual receipts due to the HUD 202 subsidy. This then provided no guarantee of repayment to the RHTF which was disconcerting to staff. However, as the Board is fully aware of the repayment terms, then staff can move forward with the application.

There being no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the Board of Directors of the Housing and Community Development Corporation of Hawaii:

- A. Approve the extension of the Rental Assistance Contracts for Hilo Hale Ohana I, II and III until December 31, 2006, limited to units receiving Rental Assistance on November 30, 2005; and
- B. Authorize the Executive Director to undertake all tasks necessary to effectuate the intent and purposes of this For Action.

Director Jung moved, seconded by Director King

That staff's recommendation be approved.

Finance Branch Manager Darren Ueki reported that in February 2005, staff updated the Board as far as the outstanding commitments of the Rental Assistance Program (RAP) and upcoming expiration of the RAP contracts. In April 2005 the Board subsequently approved an extension of the RAP contract to November 30, 2005 for Phases 1 and 2 to occur on the same date as Phase 3 of the Hilo Hale Ohana I, II and III project. An appraisal hired by the first mortgagor, Hawaii Community Reinvestment Corporation, to determine the value of the property, is currently under review.

RENTAL
ASSIST-
ANCE
PROGRAM -
EXTENSION
OF
RENTAL
ASSISTANCE
CONTRACTS
TO
12/31/2006
FOR THE
HILO
HALE
OHANA
PROJECT
LOCATED IN
HILO,
ISLAND
OF HAWAII

The owner of the project, Hilo Hale Ohana Associates, is contemplating selling or refinancing the property which will extend beyond the current November 30, 2005 expiration date. The Owner has therefore requested an extension to all the RAP contracts to December 31, 2006.

The project is financed by \$401,527 in annual Federal Tax Credits and \$120,458 in annual State Tax Credits for ten years. The compliance period for Phases I and II has expired on December 31, 2004 and Phase III will expire on December 31, 2005. The owner, upon expiration of the RAP contracts, may elect to convert the affordable units to market rate units or may extend the affordability of the project by selling or refinancing the project through various governmental financing programs. Upon expiration of the RAP contracts, some tenants may be impacted by an increase of \$175 or more in monthly rents, or may elect to relocate due to the inability to afford the increased rent.

Mr. Ueki also noted that there is approximately \$12.7 million available to fund any future subsidies. An extension of the RAP contracts will not exceed the original commitment made by the agency to the project. The project is currently receiving a RAP subsidy for 59 of the 96 units in the project. The total value of the extension of RAP for one year for all 96 units eligible for RAP is \$201,600.

Director Smith asked why is RAP being limited to only those units that are currently receiving the assistance instead of allowing all the units to receive the assistance that would amount to approximately \$201,000 for an additional year.

Mr. Ueki stated that staff had concerns to make additional commitments when there are insufficient funds for the program. The current outstanding commitments total between \$45-50 million for the existing 17 contracts with a cash balance of \$12 million. By limiting the RAP to the existing units receiving the assistance, the agency would not be exposing the State further by \$201,000. The program pays out a little more than \$2 million annually which then gives it approximately 5-6 years with the \$12 million current balance.

Director Smith commented that she would support committing the \$201,000 for another year if that could be used to assist more eligible low-income families.

Director Thompson asked what would happen at the end of 2006. Mr. Ueki stated that staff would continue to work with the project's owner on various options that could include rehabilitation of the project, extension of the RAP, or other governmental programs that could continue to keep the project affordable. The current one-year extension is to allow the owner's time to do further analyses as they are still undecided about making another long-term commitment.

Director Thompson commented that people are currently receiving rental assistance and to let them continue receiving these benefits in the future on a long term basis rather than just for another year would be preferable.

Michael Timko, a resident of Hilo Hale Ohana, then addressed the Board. He stated that he has been a resident of the project for 14 months and was under the impression that the project would continue to subsidize the rental payments for the low-income population. Mr. Timko stated that it is a good project and he and the other residents were disturbed upon receiving a letter in May 2005 that the situation may change. He further stated that he had made contact with over 50% of the 96+ residents of the project, all of whom are very concerned about the possibility of the subsidies being eliminated when the Governor has stated that affordable housing is one of her main priorities.

Mr. Timko also said that in 1992 he was homeless. Hilo Hale Ohana is managed by an excellent property management firm and whose residents are very good neighbors but to have the uncertainty of whether or not the rental assistance can continue is very disturbing. He agreed with Directors Thompson and Smith that

the project should continue with its rental subsidies. He also shared his views that it is extremely difficult for low-income families to find housing, to live under the stress of not knowing what your future will be, and difficult to understand why the program cannot continue if there still are monies for the program.

Director Jung then stated that he agreed with Directors Smith and Thompson that the rental assistance payments should continue for all 96 units in the project.

Director Thompson then moved, seconded by Director Jung

That paragraph A of staff's recommendation be changed to read:

- A. Approve the extension of the Rental Assistance Contracts for Hilo Hale Ohana I, II and III until December 31, 2006, ~~limited to units receiving Rental Assistance on November 30, 2005;~~ and

Designee Manayan asked if there would be any impact on those residents who are currently not receiving rental assistance. Mr. Ueki stated that there would be no impact; however should a vacancy occur, an eligible resident for rental assistance could then occupy that unit.

Ada Nagao, representing the owner of the project stated that it was her understanding that there were no available funds for additional units to be subsidized as well as beyond the extended contract period. However, if there are funds available for another long-term period, then this would be another option that the owner would consider.

As there was no further discussion on the motion to amend, the Chair asked for a vote on the amendment that was unanimously carried.

Director Thompson asked if there was any response from staff as to the unavailability of funds as it appears that the agency does have the funds. Mr. Ueki stated that staff has always stated that there are insufficient funds for the current commitments and that each project will be reviewed on a case-by-case basis. The current Board has given its first favorable indication to continue the program when it approved the first extension for this project. However, in discussions with the Department of Budget and Finance (B&F), there is concern about maximizing the program's commitment of approximately \$100 million. B&F has concerns about how HCDCH will address its current commitments as it moves forward in providing more assistance under the program.

Director Smith commented that Mr. Ueki's concerns are valid, however, the Rental Assistance Revolving Fund's current balance is a reflection of the \$20 million that the Legislature raided from the fund in 1996 and 2000. Although the balance may not be as large, but to not put it to use for its original purpose of providing rental assistance, can continue to have it vulnerable to further raids by the Legislature. Although there is an outstanding liability of \$52 million, but if the current Administration and the Legislature is sincere in providing affordable housing, then the Legislature should restore the funds that it took in the past in order that project owners can make decisions to continue participation in the rental assistance payments program or not.

Director Thompson encouraged the Executive Director to request additional funding for these programs from the Legislature.

There being no further discussion, the main motion to adopt staff's recommendation was unanimously carried.

Director Jung moved, seconded by Director Thompson

RECESS

That the Board recess at 10:30 a.m.

The motion was unanimously carried.

The Chair reconvened the meeting at 10:40 a.m.

Staff's recommendation was presented as follows:

That the Housing and Community Development Corporation of Hawaii Board of Directors:

1. Adopt the 2006/2007 Qualified Allocation Plan with proposed amendments. A copy of the final 2006/2007 Qualified Allocation Plan is attached as Exhibit 1; and
2. Authorize the Executive Director to undertake all actions necessary to effectuate the intent and purposes of this For Action.

Director King moved, seconded by Designee Manayan

That staff's recommendation be approved.

Finance Branch Manager Darren Ueki stated that Section 42 of the Internal Revenue Code requires that each state housing credit agency allocate Low-Income Housing Tax Credits (LIHTC) in accordance with a Qualified Allocation Plan (QAP). Staff recently held public hearings on the proposed changes to the QAP. The proposed substantive revisions in the 2006/2007 QAP are:

- Increase the amount of State LIHTC from 30% of the Federal tax credit amount to 50%;
- Site control must be achieved as a minimum threshold criteria to receive allocation;
- Capital needs assessment is another minimum threshold criteria that has been added to ensure that the useful life of the property exceeds the affordability period;
- Increased the total points possible in the Criteria Point System from 76 to 78; and
- Disclosure of application fee, good faith deposit and administrative fees clearly stated. Application fee for all applicants has been increased from \$500 to \$1,500 that is more comparable to fees charged by other states. After a project is awarded the tax credits, a fee of \$25 per unit will also be charged to cover the costs of compliance monitoring.

Public hearings were held and staff received some written testimony that has been included in the For Action. Staff anticipates recommending to the Board in May or June 2006 to award tax credits under the new rules.

LOW
INCOME
HOUSING
TAX
CREDIT
PROGRAM -
ADOPTION
OF THE
2006/2007
QUALIFIED
ALLOCA-
TION
PLAN
FOR THE
LOW
INCOME
HOUSING
TAX
PROGRAM

Director Thompson asked how the fees were determined to which Mr. Ueki responded that it was based on staff's time to review an application. The \$1,500 will be sufficient to cover for this review. A compliance monitoring consultant as well as a staff member who oversees the program and \$25.00 per unit is considered to be fair and reasonable.

Director Thompson further asked if there is a conflict of interest in charging 10% of the total tax credits that has been awarded. Mr. Ueki agreed that the more tax credits that is awarded, the more the agency receives as a good faith deposit noting that there is a limited amount that staff can award each year.

Director Smith commented that her understanding was that the rules could be less stringent to encourage more participation from the public.

Mr. Ueki stated that staff has tried to accommodate this by its clarification of the scoring criteria and being less subjective in nature. This will enable the potential applicants of knowing how their proposed projects would score.

Director Smith commended staff on the structuring of the point criteria as it is very straight-forward and is reflective of the current Board's goals of the targeted income groups and the socio-economic strata that affordable housing is being developed for, however, she expressed her concerns with regard to the fees. She commented that there might be certain circumstances when waiver of the fees may be warranted to give more flexibility. Another concern was the capital needs assessment that is relatively new due to the National Council of State Housing Agencies recommendation. This may be another area wherein a waiver can be contemplated under certain circumstances as the developer would usually apply for the tax credits to supplement other financing it has obtained such as with a private lender or with HUD.

Mr. Ueki stated that the tax credits are a major piece of the financial plan which will determine what other financing mechanisms the developer will obtain.

Director Smith suggested that the application that the developer used to obtain funds from another source could be used by HCDCH which would be less burdensome as they already had an approved application in place. She encouraged staff to simplify the process for the developers to obtain the tax credits.

Mr. Ueki stated that staff has realized that telling the developer exactly what HCDCH wants is placing a financial obligation on the part of the developer. He noted that some work such as a physical needs assessment (PNA) that would probably be done by all applicants in the process of completing their applications. A third party for HCDCH could then use this PNA to determine that the project is feasible as part of its scoring criteria.

Mr. Ueki also added that the application fees were included to ensure that all applications were from developers who were serious about their projects and to deter frivolous applicants from applying, as staff would still have to expend time reviewing their applications.

Donald Tarleton of the Hawaii Community Reinvestment Corporation (HCRC) commented that the sale of proceeds of the LIHTC will meet about 50% of the development cost and the remainder has to come from a variety of other sources such as the RHTF. The projects do not generate a large cash flow which can be used to support a first mortgage. Mr. Tarleton further commented that the \$1,500 application fee is not much and is affordable to the developer. This fee needs to be fairly significant to keep the frivolous applicants at bay. This would not only lessen staff's workload but it would also prevent tax credits from being awarded to applicants who cannot produce the housing.

Stacy Sur of Hawaii Investors for Affordable Housing Inc. (HIAHI) then addressed the Board stating that their firm purchases the tax credits that are allocated every year. He stated his support of staff's scoring criteria as the program is a very complex one and developers need to have a certain level of qualification in order to apply, although it is admirable that the Board would like to encourage as many applicants as possible. The \$1,500 application fee is extremely modest and should be significantly higher.

Mr. Sur further noted that there are developers who are awarded the tax credits and are not able to produce and therefore not able to use the tax credits for that period. This is why his firm advises many new developers to partner with a developer who has been successful with this program in order for them to see the process.

Marvin Awaya of Pacific Housing Assistance Corporation added that the scoring criteria for the developer's experience can also have a negative score for those with no experience in this type of development which can offset some developers who apply not knowing the complexities of the program.

The Chair asked if the Board disapproves the plan, would staff need to repeat the public hearing process. Mr. Ueki stated that staff would need to determine whether or not the change is substantive in nature to warrant another public hearing process.

Director Thompson asked how many applications are usually received and how much in tax credits is typically allocated. Mr. Ueki answered that \$2.3 million - \$4 million is usually awarded annually in LIHTC. Five - eight developers may submit applications for the LIHTC. It is not unusual to be oversubscribed by 25% -50% in tax credits which shows that there is a demand for the program.

As there was no further discussion, the Chair asked for a vote on the motion to approve staff's recommendation. The votes, on roll call, were as follows:

- AYES:
- Director Francis L. Jung
Director Charles King
Designee Rick Manayan
Director Linda Smith (w/reservation)
Director Charles Sted
Director Travis O. Thompson

- NAYS:
- None

The motion was carried.

Staff's recommendation was presented as follows:

- That the HCDCH Board of Directors approve the following, as discussed in this For Action:
- A. Acquisition of the fee title to approximately 272 acres of Parcel 56, TMK (3) 7-4-8: por. 056, from DLNR for the development of affordable housing; and
- B. Relinquishment of its development rights to Village 10 of the Villages of La`i`opua, TMK (3) 7-4-20: 005, to the DHHL;

APPROVAL
TO
ACQUIRE
NON-CEDED
LAND
IN
KONA,
HAWAII,
TMK
(3) 7-4-08:
POR.
056,
FROM
DLNR,
AND
RELIN-
QUISHMENT
OF

Subject to the following:

- A. Approvals by the Hawaiian Homes Commission (at DHHL's discretion) and the Board of Land and Natural Resources; and
- B. Other terms and conditions as may be required by the Executive Director.

Designee Manayan moved, seconded by Director King

That staff's recommendation be approved.

Project Manager Stan Fujimoto explained that the State owns approximately 300 acres of non-ceded land in Kona of which approximately 192 acres of this parcel is a portion of the Villages of La`i`opua project. HCDCH transferred its development rights to the Villages of La`i`opua project except Villages 9 and 10, to the Department of Hawaiian Home Lands (DHHL). HCDCH later relinquished its development rights to Village 9 to the Department of Land and Natural Resources (DLNR) for the development of a medical facility.

Mr. Fujimoto stated that after discussions among DHHL, DLNR and HCDCH, DHHL is amenable to excluding a portion of the Villages of La`i`opua project on parcel 56. This is contingent to HCDCH relinquishing its development rights to Village 10 to DHHL enabling HCDCH to acquire approximately 272 acres of non-ceded land for the development of affordable housing on that parcel.

The terms of the acquisition would be:

- Purchase price of \$0;
- The north boundary of the subject land shall be subject to the approvals of DHHL and HCDCH;
- HCDCH will be the master developer or issue a Request for Proposals for development of the non-ceded land for affordable housing;
- Conveyance of title shall be as requested by HCDCH subject to the completion of subdivision of the north boundary and HCDCH's relinquishment of its development rights to Village 10 of the Villages of La`i`opua project to DHHL.

Approximately 28 acres will remain a part of the Villages of La`i`opua project.

Staff's recommendation is subject to the approvals by DHHL and DLNR. As mentioned earlier in the meeting, DLNR has approved the acquisition and DHHL is scheduled to act on the request at its meeting on October 25, 2005.

Director Jung asked for clarification that staff's recommendation would not preclude HCDCH from engaging in a joint venture with the County of Hawaii. Mr. Fujimoto stated that it would not.

Director Thompson expressed his support for the acquisition. Director Jung then expressed his appreciation to the Board, staff and in particular to Director Smith who was able to identify the property that could be used for affordable housing. He further commented that this has the support of the Governor, Mayor, County and County Council.

DEVELOP-
MENT
RIGHTS TO
VILLAGE 10
AT THE
VILLAGES
OF
LA`TOPUA,
KEALAKEHE,
NORTH
KONA,
HAWAII
TMK
(3) 7-4-20:005

Executive Director Stephanie Aveiro asked if the recommendation would limit the use to development of affordable housing only as there may be a need to develop other types of development such as for social services or community type of development. Director Jung stated that in the statute, HCDCH is not only able to create affordable housing but to develop an affordable housing community that would include supporting facilities such as for education. Deputy Attorney General Sandra Ching affirmed that that was a correct understanding of the statute.

There being no further discussion, the motion was unanimously carried.

Staff's recommendation was presented as follows:

That the HCDCH Board of Directors approve the following for the Remnant Lot adjacent to the Hale Aupuni Subdivision project at Kalanianaʻole Highway and Inoaole Stream in Waimanalo, Oahu, Hawaii, TMK (1) 4-1-33: 193, as discussed in this For Action and such other terms and conditions deemed acceptable to the Executive Director.

- A. The sale of the Remnant Lot; and
- B. A budget of \$200,000.00 in DURF funds for the cleanup of the Remnant Lot and adjacent Inoaole Stream, subject to the following:
 - 1. Availability of DURF funds; and
 - 2. Approval and release of funds by the Governor.

APPROVAL
OF
SALE
AND
DURF
BUDGET
FOR
CLEANUP
OF
REMNANT
LOT
AT THE
HALE
AUPUNI
SUBDIVI-
SION,
WAIMANALO,
OAHU,
HAWAII;
TMK
(1) 4-1-33: 193

Project Manager Stan Fujimoto explained that the Board had deferred this item at its September 22, 2005 meeting in order to provide staff time to review other options for the clean up of the remnant land. One option was to check with the community association to see if they would be amenable to acquiring the property for community use. The second option was to explore the possibility of subdividing the land and offering it to the adjacent property owners.

Although the Hale Aupuni Subdivision does have a community association, it is subject to a Declaration of Covenants, Conditions and Restrictions (DCCR). Acquisition of the property by the Association would then require an amendment of the DCCR that would need 75% of the 190 owners to approve the acquisition. Staff does not believe this option is feasible

The second option to subdivide the 26,863 sq. ft. remnant lot would also not be feasible as the land is zoned AG-1. Subdividing an AG-1 parcel requires a minimum of 5 acres.

Mr. Fujimoto also stated that in 2001 HCDCH inquired with DLNR who owns the other half of the stream if they were interested in the property but had responded that they had no interest in accepting title to the remnant lot.

Staff is therefore recommending selling the remnant lot in an "as is" condition with the new owners being responsible for the maintenance. As the lot still needs to be cleaned during the interim, staff is requesting approval to use \$200,000 in DURF funds for the cleanup work.

Director Thompson noted that in the previous Board meeting, there was a question of the usage of DURF funds that was not addressed in the current For Action. Mr. Fujimoto stated that there is nothing written which would preclude staff from using DURF for the cleanup. He further stated that the project was developed using DURF funds, and should staff be able to sell it, it could possibly recover some of the monies used for the clean up. Executive Director Stephanie Aveiro stated that DURF has been used for maintenance and administrative expenses in the past.

Director Thompson asked if actual contact was made to the Community Association or was it an assumption by staff that it would not be acceptable to them. Mr. Fujimoto stated that there was a letter that was sent to the association but staff has not received any response.

Director Smith stated that since there was not a negative response from the community association, then that is still an option that can be pursued. Additionally, although DLNR had expressed no interest in the remnant lot in 2001, staff can still check with them to see if this position may have changed over time. Another option staff may want to pursue is to have the lot re-zoned.

Mr. Fujimoto agreed that staff could pursue the two options, but the third option would involve the hiring of a consultant.

Director Thompson stated that he is not in favor of staff's recommendation and does not believe that all options to the problem has been fully explored.

Designee Manayan agreed with Director Thompson especially with regard to using \$200,000 of DURF funds for the clean up. There may be a more feasible way to dispose of the property such as re-zoning and then putting it on the market for sale.

Director Smith added that since Representative Tommy Waters initiated the subject of cleanup, that his office be contacted to see whether or not his office has answers to the issue as this is within his district.

The Chair asked if the Board would be amenable to deferring action.

Director Thompson commented that he would support deferment of the item in order to give staff more time to explore the options that were discussed.

Director Thompson then moved, seconded by Director Jung

That Item No. 8, Approval of Sale and DURF Budget for Cleanup of Remnant Lot at the Hale Aupuni Subdivision, Waimanalo, Oahu, Hawaii; TMK (1) 4-1-33: 193, be deferred.

The motion was unanimously carried.

Staff's recommendation was presented as follows:

- A. That, pursuant to subsection 91-3(d), Hawaii Revised Statutes, the HCDCH Board of Directors approve a waiver of the public hearing requirement to update the HUD income limits and fair market rents for the federal Public Housing and Section 8 Housing Choice Voucher Programs in Chapters 17-2028 and 15-185, Hawaii Administrative Rules; and

APPROVAL
TO WAIVE
PUBLIC
HEARING
REQUIRE-
MENT,
PURSUANT
TO
SUB-
SECTION
91-3(d),
HAWAII
REVISED
STATUTES,

- B. Authorize the Executive Director, or designated representative, to proceed with this and subsequent updates to the HUD income limits and fair market rents that are contained in the Hawaii Administrative Rules, pursuant to subsection 91-3(d), Hawaii Revised Statutes.

Director Thompson, seconded by Director King

That staff's recommendation be approved.

Chief Planner Janice Takahashi explained that HUD periodically updates its income limits for the federal public housing and Section 8 programs as well as the fair market rents (FMR) for the Section 8 program. Ms. Takahashi sated that the income limits as well as the FMR are in the agency's administrative rules. As this is a federal mandate, HCDCH has no alternative but to comply and change its administrative rules to reflect the changes.

Ms. Takahashi further explained that the Governor has the authority to waive the public hearing requirement to change the rules. Staff is therefore asking the Board for its approval to request the waiver of the public hearing process by the Governor.

Ms. Takahashi noted that HUD has yet to finalize its FMR for the City and County of Honolulu. Staff is therefore requesting that the Executive Director be authorized to make any subsequent updates to the HUD income limits and FMR that are contained in the administrative rules.

There being no further discussion, the motion was unanimously carried.

Director Smith asked about the outcome of the discussion with the Department of Education (DOE) on the future transfer of the teacher-housing program to the DOE. Contracts Section Administrator Michael Hee stated that there is an agreement with DOE that they determine the eligibility of the teacher who reside in the housing. However, since the transfer is slated to take place in 2008, the discussion was very preliminary in nature.

Director King asked about the progress with the Waiahole Valley residents. Executive Director Stephanie Aveiro stated that as it has been very difficult to contact the community leader, a mediator has been requested to expedite the discussion process. The meeting will include both community associations - - ones that lease their properties and the other group who owns their properties.

Director King then asked about the progress that the applicant for development of the Uluwehi site noting that their deadline is September 2006. He asked how staff may be able to assist them in succeeding, such as setting milestones for them to reach, rather than a drop-dead deadline.

Ms. Aveiro stated that the agency is making tremendous strides in obtaining legislative support for funding as well as funding from the private sector. Staff is confident that they will be able to obtain the necessary financing for their project.

Director Smith commended staff for closing the Kuliouou lots.

Director Thompson asked if there was any progress with the County of Maui as far as the wastewater treatment capacity. Ms. Aveiro stated that there has been no activity as HCDCH was basically told that when there is a need for it, then discussions shall be held.

TO
UPDATE
THE
INCOME
LIMITS
AND
FAIR
MARKET
RENTS
FOR THE
FEDERAL
PUBLIC
HOUSING
AND
SECTION 8
HOUSING
CHOICE
VOUCHER
PROGRAMS
IN
CHAPTERS
17-2028
AND 15-185,
HAWAII
ADMINIS-
TRATIVE
RULES

HCDCH
STATUS
REPORTS

Director Thompson then commented on the report by Construction Management Section (CMS) that lists many projects that have already been completed but not yet closed out. Ms. Aveiro acknowledged that the report is lengthy, however, it provides a good overview of the projects that have been completed but not yet closed out due to a multitude of reasons. She further stated that she had wanted to share with the Board information on the progress of current and past projects with respect to completing all aspects of the project in a timely manner.

Director Thompson commended the Executive Director in her efforts to keep the Board fully informed of the progress of the projects that are ongoing and also those that may still be pending and would like to see it continued. The Chair commented on the report as being very helpful to the Board as it is reflective of management's ability to meet stated deadlines.

There being no further discussion, Designee Manayan moved, seconded by Director Jung

RECESS

That the Board recess at 11:45 a.m.

The motion was unanimously carried.

Designee Manayan moved, seconded by Director Jung

EXECUTIVE
SESSION

That the Board reconvene and meet in Executive Session at 11:55 a.m.

The motion was unanimously carried.

* * * * *

The Chair reconvened the meeting in regular session at 12:20 p.m.

The Chair appointed Director Jung and Designee Manayan to collaborate with the Office of Hawaiian Affairs (OHA) in a joint effort to develop affordable housing.

OFFICE OF
HAWAIIAN
AFFAIRS
COLLABO-
RATION
SUBCOM-
MITTEE

Director King moved, seconded by Designee Manayan

ADJOURN-
MENT

That the meeting be adjourned at 12:20 p.m.

The motion was unanimously carried.

LILLIAN KOLLER
Secretary

Approved: